

**California Air Resources Board (ARB)
Air Quality Loan Program for Fiscal Year 2008-09
(AQL Program)**

GRANT AGREEMENT

Total funding from the ARB's AQL Program grant to administer and implement an air quality loan program has been approved as follows:

Grantee:

Grant Award: \$xxx,xxx

Minimum Required Fund Leveraging: \$xxx,xxx

Grant Number: AQL-0x

The undersigned parties agree to the terms and conditions as set forth in this Grant Agreement. The undersigned parties certify under the penalty of perjury that they are duly authorized to bind the parties to this grant.

California Air Resources Board:

Grantee:

Signature of Authorized Official

Signature of Authorized Official

Name: Marie Stephans
Title: Administrative Services
Division Chief

Name:
Title:

Date: _____

Date: _____

GRANT PROVISIONS

A. Parties

1. The parties to this Grant are the California Air Resources Board (ARB), whose address is 1001 I Street, Sacramento, CA 95814, and [Insert GRANTEE name] (GRANTEE), whose address is [Insert GRANTEE Address].
2. GRANTEE means the recipient of Air Quality Incentive Program (AQIP) funds for the purpose of implementing the approved air quality loan program.

B. Recitals

1. GRANTEE is validly organized and existing under the laws of the State of California (State) and is authorized to enter into this Grant to perform its obligations hereunder.
2. GRANTEE is a valid financial institution as defined in Section E, or a federally recognized non-profit organization with authority to provide financing services under Financial Code Section 22009, and must be authorized to provide financing services in California.
3. GRANTEE agrees to obtain the required licenses, permits, and all other appropriate legal authorizations from all applicable federal, state, and local jurisdictions, and pay all applicable fees.
4. All parties to this Grant have had the opportunity to have the grant reviewed by their attorneys.

C. Terms

1. The term of this Grant is from date of execution by both parties and will continue for a minimum of ten years unless terminated by either parties in accordance with the terms and conditions specified in Section D of this Grant Agreement. No work shall commence until this Grant Agreement is fully executed by all parties.
2. All vehicles and equipment acquired, through purchase or lease, with financing from this Grant shall be in service no later than one year from the date of approval of the loan or lease. GRANTEE shall not disburse funds for vehicles or equipment placed into service after that date.
3. GRANTEE must begin implementing the AQL program as soon as practicable, but no later than August 3rd, 2009, after the Grant Agreement was

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fully executed. Extensions may be granted on a provided a detailed written request is submitted by July 15th, 2009.

4. Grant award must be deposited in an interest-bearing account at an FDIC-insured financial institution that operates independent from GRANTEE's control until withdrawn for the purpose of financing eligible projects. All interest income generated from any balance of the Grant award that are not used to finance eligible projects, or not needed for immediate lending, the principal re-payments from loans or leases that were issued with ARB grants, must be deposited into the same interest-bearing account to be used to finance additional loans and would be subject to the same terms and conditions of this Grant Agreement as the original Grant award.
5. GRANTEE will have full use, in accordance with the provisions as stated in this Grant Agreement, and other provisions as applicable in the 2009 AQL Program Request for Proposals (RFP) incorporated herein by reference, of the grant award for a minimum period of ten years unless the ARB determines that the applicant did not comply with the performance targets as shown in Section I – Statement of Work and as stated in GRANTEE's approved proposal, which is incorporated herein by reference. If the ARB determines that performance targets were not achieved, the ARB may require the applicant to return the original Grant award in full including all interest income earned from the Grant award up to the date of the ARB's request for program termination, less any net principal losses associated with defaulted loans. Net loan principal losses are determined by subtracting the outstanding loan principal from the recovered value of the defaulted asset.
6. After ten years from the date of execution of the Grant Agreement to accept the Grant award, GRANTEE may continue to use the Grant award to finance eligible projects as stated in this Grant Agreement and as presented in GRANTEE's approved proposal to the 2009 AQL Program RFP. After ten years from the date of execution of the Grant Agreement to accept the Grant award, GRANTEE may propose different uses for the Grant award to fund different project types. GRANTEE may use ARB grants to fund different project types only after receiving written approval from the ARB. If GRANTEE elects to continue to use the Grant awards after ten years, GRANTEE must continue to comply with the reporting requirements in Section J.
7. If GRANTEE wishes to terminate its participation in the AQL program, GRANTEE must notify the ARB in writing of its intent and must comply with the provisions shown in Section D – Program Termination of this Grant Agreement.

D. Program Termination

1. In the event any party fails to comply with any term or condition of this Grant Agreement, or fails to provide the services in the manner agreed upon by the parties, including, but not limited to, the requirements of in Section I - Statement of Work, this failure shall constitute a breach of the Grant Agreement. The non-breaching party shall either notify, in writing, the breaching party that it must cure this breach or provide written notification of its intention to terminate this Grant Agreement. The non-breaching party reserves all rights under law and equity to enforce this Grant Agreement and recover any damages. ARB reserves the right to terminate this Grant Agreement at any time for non-breach, and for the convenience of ARB for any reason judged sufficient by ARB. ARB will reimburse GRANTEE for actual costs incurred (not to exceed the total Grant Agreement value), including all non-cancellable commitments incurred in performance of this Grant Agreement through the effective date of termination for any reason other than breach.
2. In case of termination for cause or convenience, GRANTEE shall return to ARB the original Grant award in full, including all interest income earned from the Grant award up to the date of the ARB's request for program termination, less any principals from outstanding loans from the termination date, less any net principal losses associated with defaulted loans. Net loan principal losses are determined by subtracting the outstanding loan principal from the recovered value of the defaulted asset. After termination date, GRANTEE shall continue to return to ARB, on a quarterly basis, the accumulated repaid principals from outstanding loans until all loans funded with ARB's original Grant award are fully repaid.

E. Definitions

The following definitions apply to the terms used to describe the requirements for the AQL Program:

1. Air district - Air pollution control district or air quality management district.
2. Financial Institutions – A federal or state-chartered bank, savings association, credit union, and not-for-profit community development association certified under Part 1805 (commencing with Section 1805.100) of Chapter XVIII of Title 12 of the Code of Federal Regulations, or a consortium of the foregoing entities. A consortium of such entities may include a non-financial corporation, if the percentage of capitalization by all non-financial corporations in the consortium does not exceed 49 percent.
3. Financial Institutions also includes a lending institution that has executed a participation agreement with the Small Business Administration under the

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guaranteed loan program pursuant to Part 120 (commencing with Section 120.1) of Chapter 1 of Title 13 of the Code of Federal Regulations, and a small business investment company licensed pursuant to Part 107 (commencing with Section 107.20) of Chapter 1 of Title 13 of the Code of Federal Regulations.

4. Financial Institutions also includes Finance Lenders as defined pursuant to Financial Code Section 22009, or a federally recognized non-profit organization with authority to provide financing services under Financial Code Section 22009, making commercial loans as defined pursuant to Financial Code Section 22502.
5. A financial institution described in paragraph (2) and (4) shall have at least one office in the State of California.
6. A financial institution described in paragraph (3) shall be domiciled or have its principal office in the State in California.
7. Eligible Fleets – a fleet of 20 or fewer heavy-duty vehicles that is subject to the requirements of the ARB's Statewide In-Use Truck and Bus Regulation and/or the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Regulation. In addition, eligible fleet must be a small business that operates the majority of the time in California.
8. Eligible Projects – Projects that are used to comply, in whole or in part, with the requirements of the Statewide In-Use Truck and Bus Regulation and/or the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Regulation. Eligible projects include:
 - Used and new tractors equipped with 2007 – 2009 model year engines certified to engine emission standards of 1.2 g/bhp-hr oxides of nitrogen (NOx) and 0.01 g/bhp-hr particulate matter (PM) or cleaner;
 - New tractors equipped with 2010 and later model year certified engines;
 - New 2011 and later model year sleeper cab tractors that are U.S. EPA SmartWay certified (only applicable if the tractor is used to haul a 53-foot or longer box-type trailer);
 - New 2011 and later model year 53-foot or longer box-type trailers that are U.S. EPA SmartWay certified;
 - U.S. EPA Approved SmartWay aerodynamic technologies (*examples: trailer side skirts, front trailer fairings, rear tail fairings, dual- or single-wide low-rolling resistance tires*);
 - ARB-verified diesel emission control devices (exhaust retrofits).

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9. Eligible Vehicles – Vehicles that are subject to the requirements of the Statewide In-Use Truck and Bus Regulation and/or the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Regulation.
10. Voucher Incentive Program – A program that provides a direct financial incentive (in the form of a voucher) to an owner of a small fleet (3 or less vehicles) to replace their older heavy heavy-duty diesel vehicles with cleaner diesel vehicles. Small fleet owners that operate vehicles with 1993 or older model year diesel engines in California 75 percent of the time may be eligible for funding towards the purchase of a vehicle that has a 2007 or newer diesel engine.

F. Authorization

1. GRANTEE shall ensure that no equipment funded with ARB funds under the AQL Program is scheduled to receive or has received incentive funding and/or loans from any State of California's Proposition 1B Goods Movement Emission Reduction program, including any Proposition 1B Goods Movement Emission Reduction program funds disbursed by California's Air Districts.
2. GRANTEE is authorized to administer the AQL Program funds in accordance with the criteria specified in Section I – Scope of Work, other program criteria set forth in this Grant Agreement and in accordance with GRANTEE's approved proposal, incorporated herein by reference. GRANTEE shall also administer the AQL Program for eligible projects financed with leveraged funds.
3. GRANTEE shall establish economically sound structures and day-to-day management and processing procedures to maintain the loans or leases. These include establishing: underwriting principles that can include the establishment of borrower loan qualification criteria, interest rates, repayment terms, fee structure, and collateral requirements; and, lending practices that can include: loan processing, documentation, approval, servicing, administrative procedures, standardized fund disbursement procedures to borrowers, collection, and recovery action.
4. GRANTEE shall review and provide loans for an eligible project on a first come, first served basis.
5. In the event of a loan default, GRANTEE shall make reasonable efforts to enforce the terms of the loan or lease agreement including proceeding against the assets pledged as collateral to cover losses to the loan or leases.
6. GRANTEE shall obtain a minimum fund leveraging ratio of **\$X**: \$1 of leveraged funds to ARB's AQL Program funds. GRANTEE shall ensure that all fund leveraging requirements are fulfilled, including loans for eligible projects that are

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financed with leveraged funds, and shall provide the ARB program manager with reports as specified in Section J.

7. GRANTEE is required to provide financing for eligible projects in accordance with the provisions specified in this Grant Agreement. However, should GRANTEE desire to finance projects that fall outside the scope of eligible projects, GRANTEE must make the request in writing and must have the ARB's approval in writing before proceeding.

G. Grant Disbursement

1. Any cost incurred by GRANTEE prior to grant execution shall be incurred solely by GRANTEE.
2. Total amount of this Grant is \$xxx,xxx. This amount is allocated in one lump-sum to GRANTEE. ARB will provide a check to GRANTEE for the full amount of the Grant award.
3. Estimated turnaround time for issuance of checks is four to six weeks from the date of execution of the Grant.

H. Indemnification

GRANTEE agrees to hold harmless, indemnify, and defend ARB, its officers, employees, agents, representatives, and successors-in-interest against any and all loss, damage, cost or expenses which ARB, its officers, employees, agents, representatives, and successors-in-interest may incur or be required to pay by reason of any injury or property damage caused or incurred by GRANTEE, its employees, subcontractors, or agents as a result of the performance of this Grant and use of the subject equipment.

I. Scope of Work

1. Upon agreement of all Grant Terms and Conditions, GRANTEE shall begin to administer and implement the AQL program funds as soon as practicable but no later than August 3rd, 2009. GRANTEE shall also administer and implement eligible AQL program projects financed with funds leveraged by GRANTEE as presented in GRANTEE's proposal in response to the AQL Program RFP.
2. GRANTEE is required to use the Grant award specifically to make loans or leases, to guarantee loans, and/or as collateral to leverage additional external funds to make loans, to assist eligible fleets to finance the purchase of eligible projects as defined in Section E.
3. Insert actual project performance targets from GRANTEE's approved proposal, or incorporate GRANTEE's approved proposal here by reference.

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4. Subject to applicable State and Federal law, GRANTEE shall submit all materials for public access referencing ARB and or the AQL Program to the ARB project manager for approval prior to its release.
5. GRANTEE shall provide the ARB project manager with monthly and annual reports as specified in Section J.

J. Reporting

1. GRANTEE must maintain the AQL Program's financial and loan data for the life of the program, until all loans have been fully repaid. GRANTEE must inform the ARB, in writing, of any programmatic or administrative changes that could lead to disruption in program operation which could impact the effective utilization of fund.
2. GRANTEE shall provide the ARB project manager with monthly and annual reports. The reports are due on the 15th calendar day following the end of each reporting period. In all cases, the reports shall contain all information required by the ARB including appropriate documentation.
3. The monthly reports shall include, but is not limited to:
 - a. Number of loans applications received for the AQL Program (monthly activity and cumulative activity);
 - b. Number of loans actually made, both with ARB grants and with leveraged funds (monthly activity and cumulative activity);
 - c. Dollar amount of loans, both with ARB grants and with leveraged funds (monthly activity and cumulative activity);
 - d. Terms of loans made, including interest rate and length of loans;
 - e. Credit/financial profiles of applicants that were approved or rejected for loans;
 - f. Outstanding grant balance, including applicable interest earnings on grant balance;
 - g. Number of loans defaulted (monthly activity and cumulative);
 - h. Information for each loan default including business/entity name, original principal loan amount, enrolled loan amount, default amount, dollar amount recovered upon liquidation of defaulted assets;
 - i. A document signed by GRANTEE project manager, or designee, verifying that information contained in the report is complete and accurate.
4. In addition to monthly reports, grant awardees for the AQL Program must submit annual progress reports to the ARB for the duration of the program. The annual reports shall contain more detailed information on the program than the monthly reports. In addition to the information required for the monthly reports, the annual reports must contain, at a minimum, summary of the financial data status of the AQL program such as total amount of grant expended, remaining grant,

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total funds leveraged, and interest earned on grant award. In addition to the previously referenced information, the final report will describe the overall implementation of the program, including GRANTEE's assessment of any significant issues that arose, projection of performance targets and recommendations for future efforts. Annual proof of financial statement or independent program audit is also required.

5. The annual reporting requirements under this Grant Agreement shall survive the termination of the Contract and shall continue in full force and effect until all loans financed with ARB funds have been fully repaid. Notwithstanding the termination of this Grant Agreement, GRANTEE also agrees to make information for all vehicles and/or equipment financed under the AQL program available upon reasonable notice to ARB staff.

E. Project Management

The ARB project manager for program issues relating to this grant is Mr. Robert Nguyen. Correspondence regarding required program reports should be directed to:

Mr. Robert Nguyen
Innovative Strategies Section
Mobile Source Control Division, North
Air Resources Board
P.O. Box 2815
Sacramento, California 95812

Phone: (916) 327-2939
Email: rnguyen@arb.ca.gov

The ARB contact for financial matters relating to this grant is Ms. Zinaida Malchenko. Correspondence regarding financial matters should be directed to:

Administrative Services Division
Air Resources Board
P.O. Box 2815
Sacramento, California 95812
Phone: (916) 324-9907

Grantee project manager for program issues relating to this grant is (Insert contact name). Correspondence regarding required program reports should be directed to:

Contact name
Contact title
Company Name
Address:

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Phone:

Email:

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